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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD.,

Petitioner,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICUS CURIAE* OF THE COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION IN SUPPORT OF PETITIONER

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CONSTITUTIONAL PROVISIONS

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INTEREST OF *AMICUS CURIAE*[1]

The Computer & Communications Industry Association ("CCIA") is an international, nonprofit association representing a broad cross section of computer, communications and Internet industry firms employing more than 750,000 workers and generating annual revenues in excess of $540 billion.[2]

RELEVANT CONSTITUTIONAL PROVISIONS AND STATUTES

> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

U.S. CONST., art. I, § 8, cl. 8 ("Progress Clause").

> Whoever during the term of a patent for a design, without license of the owner,
>
> > (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or

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1. No counsel for any party authored this brief in whole or part; no such party or counsel made a monetary contribution intended to fund its preparation or submission; and no person other than *amicus* made such a contribution. All parties have consented to the filing of this brief.

2. A list of CCIA members is available at http://www.ccianet.org/members. Petitioner Samsung is a CCIA member, but took no part in the preparation of this brief.

> (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but
>
> not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Court should vacate the decision below and instruct the Federal Circuit to apply 35 U.S.C. § 289 correctly.

The Federal Circuit's decision with respect to design patent damages raises constitutional concerns, is a misreading of the statute, and is dangerous to the technology industry. The decision below interprets Section 289 to expand the exclusive right granted by a design patent well beyond the powers granted to Congress by the Progress Clause. The Progress Clause grants Congress the power to give an inventor "the exclusive right" to her "discoveries."

By interpreting the term "article of manufacture" to apply only to articles sold to "ordinary purchasers," the Federal Circuit's decision gives the inventor of a fairly narrow "discovery" the right to the profits made on a complex device that is the result of literally thousands of separate, patented, innovations. This interpretation of the statute effectively grants exclusive rights over a device covered by tens of thousands of utility patents, even though the "discovery" covered by the patent-in-suit is an ornamental feature.

The constitutionality problem is avoidable by interpreting the statute more naturally: the term "article of manufacture" as used in 35 U.S.C. § 289 must refer to the smallest article to which the patented design is applied, not a larger device that incorporates the article as one of its components. Were it not, a design patent covering a windshield for a boat could be liable for profits on the entire boat. *See Pacific Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, No. 6:12-cv-00033, slip op. at 19–22 (M.D. Fla. Aug. 22, 2014).

The Federal Circuit misinterpreted "article of manufacture" to mean the "product of manufacture," *i.e.*, the product sold to customers. But Congress does not use those terms synonymously. In the Vessel Hull Design Protection Act, which is based in part on design patent law, Congress used the terms distinctly. Congress never intended the "article of manufacture" to automatically swallow the end-good in which the article incorporating an infringing design is included.

If the decision below is allowed to stand, design patent infringement will become a new tool for patent assertion

entities to use to gain leverage. Indeed, within a few weeks of the Federal Circuit's decision, a patent assertion entity used the decision to threaten Samsung itself with design patent infringement.

This issue is of great concern to CCIA's member companies, many of whom sell or market complex electronic devices that incorporate many different designs. If the Federal Circuit's interpretation of Section 289 is affirmed, CCIA's member companies could be faced with potentially massive exposure to attack using design patents. Such a rule would disproportionately penalize complex integrators, discouraging enterprises from bringing complex products and services to market.

ARGUMENT

The decision below interprets the term "article of manufacture" in Section 289 to be limited to articles sold to "ordinary purchasers." *See* Pet. App. 29a. The Federal Circuit's interpretation of 35 U.S.C. § 289 raises serious constitutional concerns and has the potential to create large problems for the technology industry. Moreover, this interpretation is inconsistent with Congress's usage of the term "article of manufacture" in a related statute, the Vessel Hull Design Protection Act.

The sheer number of potential design patents that could apply to a single smartphone exposes manufacturers to grossly unjust liability. For example, Apple has about 200 active design patents entitled "Electronic device." If Samsung were sued on each of those patents by separate entities, Samsung's potential damages would be many billions of dollars.

If the Federal Circuit's interpretation of Section 289 is allowed, the result would be damaging to the entire smartphone industry, as well as manufacturing of other electronic devices. Manufacturers would have to account for the risk of liability for design patent infringement, which could result in the loss of the entire profit for a product line several times over. This increased risk would increase costs and likely reduce the number of products available to the public.

Accordingly, CCIA respectfully requests that this Court vacate the Federal Circuit's decision with respect to design patent damages and provide clarification on the proper application of 35 U.S.C. § 289.

I. The Federal Circuit's Interpretation of Section 289 Expands the "Exclusive Right" Described in the Progress Clause to Far More Than the Inventor Invented

The interpretation of Section 289 used by the Federal Circuit raises constitutional concerns because it grants a design patent an effective monopoly over an entire smartphone based solely on certain ornamental features. Considering that nearly all of the value of a device like a smartphone comes from its functionality, this breadth of scope would transform a design patent into a sort of super-utility patent, allowing a design patentee to control an industry in a way that would be nearly impossible with utility patents.

This expansion in scope of a design patent grants an inventor exclusive right over *far* more than she invented. This is not simply a question of where exactly to draw

boundaries over patent scope. For example, Apple's patents specifically *disclaim* the part of the device containing all of the inner workings. That is, the drawings claim only the front face of the device, and the rest of the device is shown in dotted lines, which indicate *unclaimed* subject matter, as shown in Figures 3 and 7 from U.S. Patent No. D593,087:

FIG. 3

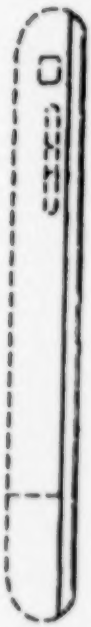

FIG. 7

U.S. Patent No. D618,677 is similar:

FIG. 1

FIG. 2

And U.S. Patent No. D604,305 shows only a screen without any device:

FIG. 2

Despite this express disclaiming of scope, the Federal Circuit granted damages based on the profits of entire Samsung smartphones. These are devices whose technology is covered by literally tens of thousands of patents and many thousands of innovations that are in the public domain. Yet a single design patent grants Apple, effectively, the exclusive right to those devices, even though Apple admits in its patents that they do not include the innovations inside the device.

If infringing a single design patent can result in the loss of all profits made from a complex device, many (if not most) companies will avoid the risk of infringement altogether by staying out of the market. Accordingly, the result is the same as if the design patent owner held all of the patents for the entire device: new products and innovations are blocked from the market. While the design patent scope may not be coextensive with the scope of the utility patents covering the relevant device, the Federal

Circuit's interpretation of Section 289 certainly increases design patent scope far beyond just the actual patented design. This expansion of scope is beyond Congress's power under the Progress Clause.

> The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.

Graham v. John Deere Co., 383 U.S. 1, 5–6 (1966). It is undeniable that the ornamental features described in Apple's design patents contribute a tiny fraction of the innovations contained in a smartphone.

While Congress has broad authority to legislate with respect to patents, it is not allowed to remove knowledge from the public domain or grant a monopoly to an inventor far beyond what the inventor has contributed to the public. "[T]he [Patent] Clause contains both a grant of power and certain limitations upon the exercise of that power." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).[3] The Federal Circuit's interpretation of Section 289, however, impermissibly expands Congress's power beyond its Constitutional grant of authority.

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3. The Vessel Hull Design Protection Act was enacted in part to respond to the holding in *Bonito Boats* that states could not enact vessel hull protection. H.R. REP. NO. 105-436, at 12–13 (1998).

II. The Constitutionality Concerns With Respect to Section 289 Can Be Avoided By Not Limiting "Article of Manufacture" to Goods Sold to the Public

The Federal Circuit created a constitutional problem, discussed above, *supra* 5, by incorrectly limiting the term "article of manufacture" to articles sold to "ordinary purchasers." *See* Pet. App. 29a. This Court, however, can avoid that constitutional problem by interpreting "article of manufacture" to mean merely an article that is manufactured, *i.e.*, by limiting design patent scope to the smallest physical article (*e.g.*, the chassis of a smartphone) to which the patented design is applied. "[W]here a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise and by the other of which such questions are avoided, our duty is to adopt the latter." *Jones v. United States*, 529 U.S. 848, 857 (2000) (quoting *United States ex rel. Attorney General v. Delaware & Hudson Co.*, 213 U.S. 366, 408 (1909)).

The term "article of manufacture" means simply, an article that is manufactured. As this Court noted more than a century ago in a different context:

> The primary meaning of the word "manufacture" is something made by hand, as distinguished from a natural growth, but, as machinery has largely supplanted this primitive method, the word is now ordinarily used to denote an article upon the material of which labor has been expended to make the finished product. Ordinarily the article so manufactured takes a different form, or at least subserves a

> different purpose, from the original materials, and usually it is given a different name. Raw materials may be, and often are, subjected to successive processes of manufacture, each one of which is complete in itself, but several of which may be required to make the final product. Thus, logs are first manufactured into boards, planks, joists, scantlings, etc., and then by entirely different processes are fashioned into boxes, furniture, doors, window sashes, trimmings, and a thousand and one articles manufactured wholly or in part of wood. The steel spring of a watch is made ultimately from iron ore, but, by a large number of processes or transformations, each successive step in which is a distinct process of manufacture and for which the articles so manufactured receives a different name.

Tidewater Oil Company v. United States, 171 U.S. 210, 216 (1898). Nothing in the legislative history of 35 U.S.C. § 289 or the rest of the Patent Act suggests that "article of manufacture" should mean anything other than the plain meaning of the term.

At least one commentator has expressly argued that the term "article of manufacture" should be considered as distinct from the term "product," which she defines as "something sold by an enterprise to its customers." Sarah Burstein, *The Patented Design*, 83 TENN. L. REV. 161, 208 (2015).

> Under this definition, "product" would not be a synonym for "article of manufacture."

> For example, naturally-occurring items such as berries could be sold as a "product" but they would not fall under any reasonable interpretation of the statutory phrase "article of manufacture." And multiple articles of manufacture can be sold as a single product—for example, a set of flatware containing a spoon, a knife, and a fork.

Id. It is simply common sense that "article of manufacture" is not limited to "products."

The Vessel Hull Design Protection Act ("VHDPA"), a *sui generis* form of protection for boat hull designs, also provides strong evidence that an "article of manufacture" is not restricted to a product sold to customers. The VHDPA was enacted to fill a particular gap in intellectual property protection for the industrial designs of boat hulls. Design patents can be difficult to obtain for boat hull designs, because ornamental features may be considered "dictated by functional considerations." H.R. REP. No. 105-436, at 11 (1998). Because a boat hull design is typically functional (*e.g.*, it may improve boat performance), it can be ineligible for protection by copyright. *Id.* The VHDPA offers protection of both ornamental and functional features of hull designs. *See* 17 U.S.C. §§ 1301 *et seq.* Hull designs are registered for protection with the Copyright Office and are not examined as design patents are. *See* 17 U.S.C. §§ 1310–20.

The VHDPA expressly distinguishes between a "product of manufacture" (*i.e.*, a boat) and an "infringing article" (*i.e.*, a vessel hull): "A person who incorporates into that person's *product of manufacture* an infringing

article acquired from others in the ordinary course of business . . ." 17 U.S.C. § 1309(d) (emphases added). An "infringing article" is "any *article* the design of which has been copied from a design protected under this chapter, without the consent of the owner of the protected design." 17 U.S.C. § 1309(e) (emphasis added). That is, an "article" is the object that infringes (in this case, a boat hull), but a "product of manufacture" is the entire consumer product incorporating that infringing article.

The VHDPA coordinates its protection with design patents to ensure that no one receives both a VHDPA registration and a design patent for the same boat hull: "The issuance of a design patent under title 35, United States Code, for an original design for an *article of manufacture* shall terminate any protection of the original design under this chapter." 17 U.S.C. § 1329 (emphasis added). The "article of manufacture" referred to in Section 1329 of the VHDPA is a boat hull, *not* an entire boat sold to ordinary consumers. *See* 17 U.S.C. § 1301(a)(2) ("The design of a vessel hull, deck, or combination of a hull and deck, including a plug or mold, is subject to protection under this chapter. . ."). Given that Congress deliberately intended to coordinate design patents with VHDPA protection for boat hulls, it must have intended the term "article of manufacture" to take the same meaning in both statutes.[4]

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4. Apple complains that "the 1887 Congress's intent [cannot] be discerned from a very different (and '*sui generis*') law enacted well over a century later." Resp. Br. at 29 n. 12. This is a red herring. Congress made clear its *current* understanding of the term "article of manufacture," as used in both the VHDPA and the Patent Act. The two acts are expressly linked by 17 U.S.C. § 1329; Congress must have intended the term "article of manufacture" to have the same meaning in both statutes.

Moreover, the designs at issue in two of the patents-in-suit, the '087 and '677 patents, are for part of the "chassis" of an electronic device. Apple actually purchases the chassis from its suppliers. Christopher Manasians, *Where are the iPhone, iPad and Mac designed, made and assembled? A comprehensive breakdown of Apple's product supply chain*, MacWorld (Apr. 18 2016), http://www.macworld.co.uk/feature/apple/are-apple-products-truly-designed-in-california-made-in-china-iphonese-3633832/. That is, the chassis is an article of manufacture. Indeed, it is the "article of manufacture" that should have been used in assessing damages. The screen depicted in the '305 patent is also a separate article of manufacture.

Limiting "article of manufacture" to its plain meaning avoids any constitutional concerns. An inventor would be limited to damages based on the article actually depicted in his or her design patent. That is completely consistent with the power to "secur[e] for limited Times to ... Inventors the exclusive Right to their ... Discoveries."

III. Patent Assertion Entities Will Use The Federal Circuit's Interpretation of Section 289 to Increase Their Leverage

This case is important to the thousands of businesses that are the targets of patent assertion entities ("PAEs"), also called patent monetization entities. PAEs are companies whose business is licensing and enforcing patents, typically using purchased patents. PAEs cost the U.S. economy billions of dollars per year, targeting businesses of all sizes and in a wide variety of industries. PAEs were responsible for more than 60% of patent

litigations in 2015,[5] and 60% of the defendants were small businesses (*i.e.*, businesses with less than $100 million in annual revenue).[6]

The PAE business model relies on the difficulty of proving patents invalid. PAEs are profitable because accused infringers have a strong incentive to settle. It is extremely expensive to defend against a patent infringement claim, in large part because there are few ways to dismiss even a weak claim on the pleadings. Accordingly, nearly every such case will require discovery, which costs hundreds of thousands, or even millions of dollars. In 2012, the mean cost through the end of discovery for cases filed by PAEs worth less than $1 million was $516,000; for such cases with $1 to 10 million at risk, that figure was $998,000; and for cases with $10 to $25 million at risk, the mean cost through the end of discovery was over $1.7 million.[7]

Because smartphones (and similarly complex electronic devices) provide enormous functionality, the value of a smartphone is much greater than any ornamental feature. Few would buy an empty case that looked like a smartphone but did nothing.

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5. RPX, *2015 Report: NPE Litigation, Patent Marketplace, and NPE Cost* 7 (2016), https://www.rpxcorp.com/wp-content/uploads/sites/2/2016/05/RPX-2015-Report-NPE-Litigation_Patent-Marketplace_Cost_High-level_ZFinal.pdf.

6. *Id.* at 30.

7. AIPLA, *Report of the Economic Survey 2013*, at I-145 (July 2013), http://library.constantcontact.com/download/get/file/1109295819134-177/AIPLA+2013+Survey_Press_Summary+pages.pdf.

Yet, the Federal Circuit's interpretation of Section 289 allows a design patent owner to capture all of the value of the functions of a smartphone in addition to any value attributable to the infringed design. Such patent owners include PAEs.

Patent assertion entities have already begun using the Federal Circuit's decision below as leverage. A PAE called Intellectual Capital Consulting, based in Colorado, recently threatened Samsung with damages for design patent infringement:

> Moreover, as you may be aware, *Apple Inc. v. Samsung Electronics, Ltd.* (Fed. Cir. 2015) further solidified damages for design patent infringement. 35 U.S.C. § 289 explicitly authorizes the award of *total profits* from the article of manufacture bearing the patented design. That is, unlicensed sales . . . will dramatically increase damages liability.

Letter from Samuel K. Giles, Managing Director, Intellectual Capital Consulting, LLC, to Gregory Lee, Samsung Telecommunications America, LLC (June 2, 2015), https://trollingeffects.org/demand/intellectual-capital-consulting-ltd-2015-06-02. This letter was sent less than one month after the Federal Circuit's decision, which issued on May 18, 2015.

If PAEs are allowed to threaten operating companies with the loss of the total profits made on an accused product, few companies will be willing to take the risk of fighting back. And they will settle for substantially more than they otherwise might have. PAEs do not need more

tools that help extract money from operating companies; the Federal Circuit's decision in this case, however, gives them such tools.

CONCLUSION

For the foregoing reasons, *amicus* CCIA requests that this Court vacate the opinion below and remand with further instructions.

Respectfully submitted,

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